

CHILD CARE LAW CENTER

FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITORS REPORT

To the Board of Directors
Child Care Law Center

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Law Center (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2021, the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited Child Care Law Center's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Oakland, California
October 18, 2021

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CHILD CARE LAW CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2021

With comparative totals at June 30, 2020

	2021	2020
ASSETS		
Cash	\$ 752,100	\$ 828,807
Grants and contracts receivable	420,807	32,150
Other assets	20,894	16,092
Property and equipment (Note 4)	-	-
TOTAL ASSETS	\$ 1,193,801	\$ 877,049
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 25,910	\$ 8,660
Accrued liabilities (Note 5)	46,785	18,005
Paycheck protection program loan (Note 6)	-	102,600
TOTAL LIABILITIES	72,695	129,265
NET ASSETS		
Without donor restrictions (Note 2)	606,427	301,519
With donor restrictions (Note 9)	514,679	446,265
TOTAL NET ASSETS	1,121,106	747,784
TOTAL LIABILITIES AND NET ASSETS	\$ 1,193,801	\$ 877,049

The accompanying notes are an integral part of these financial statements.

CHILD CARE LAW CENTER

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
REVENUE AND SUPPORT				
Grants	\$ 355,000	\$ 938,220	\$ 1,293,220	\$ 961,981
Forgiveness of paycheck protection program loan (Note 6)	102,600		102,600	-
Contributions	83,913		83,913	98,802
Contracts	56,652		56,652	2,625
Other income	3,754		3,754	8,995
Net assets released from purpose restrictions (Note 9)	869,806	(869,806)	-	-
TOTAL REVENUE AND SUPPORT	1,471,725	68,414	1,540,139	1,072,403
EXPENSES				
Program services	936,551		936,551	794,123
Management and general	141,743		141,743	130,289
Fundraising	88,523		88,523	44,328
TOTAL EXPENSES	1,166,817	-	1,166,817	968,740
CHANGE IN NET ASSETS	304,908	68,414	373,322	103,663
NET ASSETS, BEGINNING OF YEAR	301,519	446,265	747,784	644,121
NET ASSETS, END OF YEAR	\$ 606,427	\$ 514,679	\$ 1,121,106	\$ 747,784

The accompanying notes are an integral part of these financial statements.

CHILD CARE LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses	
	Advocacy	Technical Assistance	Workshop				2021	2020
Salaries	\$ 469,637	\$ 145,843	\$ 1,472	\$ 616,952	\$ 42,198	\$ 28,144	\$ 687,294	\$ 616,691
Payroll taxes	38,362	11,916	110	50,388	3,282	2,268	55,938	54,055
Employee benefits	67,265	20,393	218	87,876	6,723	4,139	98,738	51,153
Total personnel costs	575,264	178,152	1,800	755,216	52,203	34,551	841,970	721,899
Professional services	104,964	11,953	87	117,004	76,680	49,642	243,326	137,646
Miscellaneous	13,618	1,136	92	14,846	1,937	2,022	18,805	23,512
Occupancy	10,108	4,186	9	14,303	1,815	667	16,785	36,964
Telephone	7,969	2,664	71	10,704	1,246	493	12,443	7,022
Insurance	4,211	1,539	17	5,767	1,252	312	7,331	6,019
Trainings	2,342	1,019	503	3,864	3,553	200	7,617	2,273
Library	4,103	1,076	5	5,184	43	505	5,732	5,604
Office supplies	1,749	963	5	2,717	1,488	27	4,232	5,474
Dues and subscriptions	1,820	1,261		3,081	475	19	3,575	3,280
Duplicating and printing	1,697	645		2,342	197	68	2,607	3,984
Travel and meetings	1,159	364		1,523	854	17	2,394	15,063
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 729,004	\$ 204,958	\$ 2,589	\$ 936,551	\$ 141,743	\$ 88,523	\$ 1,166,817	
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 524,990	\$ 251,583	\$ 17,550	\$ 794,123	\$ 130,289	\$ 44,328		\$ 968,740

The accompanying notes are an integral part of these financial statements.

CHILD CARE LAW CENTER

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 373,322	\$ 103,663
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Forgiveness of paycheck protection program loan	(102,600)	-
(Increase) decrease in operating assets:		
Grants and contracts receivable	(388,657)	6,175
Pledges receivable	-	200,000
Other assets	(4,802)	(6,679)
Increase (decrease) in operating liabilities:		
Accounts payable	17,250	2,832
Accrued liabilities	28,780	(3,912)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(76,707)</u>	<u>302,079</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	<u>-</u>	<u>102,600</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>102,600</u>
NET (DECREASE) INCREASE IN CASH	(76,707)	404,679
CASH, BEGINNING OF YEAR	<u>828,807</u>	<u>424,128</u>
CASH, END OF YEAR	<u><u>\$ 752,100</u></u>	<u><u>\$ 828,807</u></u>

The accompanying notes are an integral part of these financial statements.

1. Organization

The Child Care Law Center is a leader in legal advocacy to win affordable, enriching child care for families in California. It is the only organization in the country devoted exclusively to child care law, prioritizing families of color, with low incomes, children's disabilities, and others who historically face barriers to economic and educational opportunity.

Good, affordable child care throughout our communities creates stability and opens opportunities for children, families, and our nation. It allows parents to work, and helps children develop socially and emotionally. National and state policies force too many parents to choose between work and caring for their children, and force child care providers to work for sub-minimum wages.

The Child Care Law Center educates, advocates, and when necessary, litigates to break down the barriers standing between families in need and good affordable child care. The organization conducts policy advocacy, community education, impact litigation and a legal information and referral service.

Examples of accomplishments include:

- Timely updates and interpretation of policies, laws, and benefits to mitigate the effects of the coronavirus pandemic and the national reckoning with racial injustice.
- Child Care Law Center staff reformed the state law to streamline local permitting and strengthen housing protections. The result allows child care providers to open, expand, and care for the children in their communities while parents work.
- More than 300,000 children and their families can rely on affordable, state-subsidized child care, creating quality early learning and family economic stability.
- Children with disabilities can safely receive their medications while they are in child care, and will not be excluded from attending because of health needs.
- Families with babies and toddlers will find more licensed child care available to them, because we advocated for expanded funding in the Legislature.

The Child Care Law Center not only impacts individual lives; it improves systems to create more equity. Program activities include legislative advocacy, community organizing, legal information, limited representation, and impact litigation. Staff attorneys have expertise in health and safety regulations, child welfare, disability rights, housing rights, land use, government benefits, and funding.

The Legal Services Trust Fund of the California State Bar, foundations, and individual donors financially support the Child Care Law Center.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Grant and Contracts Receivable

Grant and contracts receivable are deemed collectible and therefore, no allowance for doubtful accounts has been provided.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

continued

2. **Summary of Significant Accounting Policies, continued**

Donated Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2021, Child Care Law Center did not receive donations of services that satisfy the criteria for recognition.

Income Taxes

Child Care Law Center is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Child Care Law Center in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Child Care Law Center's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Child Care Law Center's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Child Care Law Center uses full time equivalent to allocate indirect costs.

Revenue and Revenue Recognition

Child Care Law Center recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. As of June 30, 2021, did not have any contributions categorized as conditional.

continued

2. Summary of Significant Accounting Policies, continued**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Child Care Law Center's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 18, 2021, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

Child Care Law Center regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Child Care Law Center has various sources of liquidity at its disposal, including cash and cash equivalents, and various receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Child Care Law Center considers all expenditures related to its ongoing activities of providing program related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Child Care Law Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects Child Care Law Center's financial assets as of June 30, 2021, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

Cash	\$ 752,100
Grants and contracts receivable	<u>420,807</u>
Total financial assets at year-end	<u>\$1,172,907</u>

Financial assets available to meet expenditures over the next 12 months.

Total financial assets	\$1,172,907
Less: net assets with donor restrictions	<u>(542,086)</u>
Assets available to meet expenditures in next 12 months	<u>\$ 630,821</u>

continued

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

4. Property and Equipment

Property and equipment at June 30, 2021 consist of the following:

Computers and equipment	\$ 15,457
Less: accumulated depreciation	<u>(15,457)</u>
	<u>\$ -</u>

5. Accrued Liabilities

Accrued liabilities at June 30, 2021 consist of the following:

Accrued vacation	\$42,775
Cafeteria health savings plan	<u>4,010</u>
	<u>\$46,785</u>

6. Paycheck Protection Program Loan

In May 2020, Child Care Law Center received loan proceeds in the amount of \$102,600 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Child Care Law Center intends to use the proceeds for purposes consistent with the PPP.

On March 9, 2021, Child Care Law Center received notification from Small Business Administration (SBA) informing that the PPP loan in the amount of \$102,600, was forgiven.

continued

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

7. Employee Benefit Plan

Child Care Law Center sponsors a 403(b) Thrift Plan for all eligible employees. Child Care Law Center makes a discretionary contribution up to three percent of the employees' annual compensation. Pension plan expense for the year ended June 30, 2021 was \$19,616.

8. Commitments and Contingencies

Contracts

Child Care Law Center's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Child Care Law Center has no provisions for the possible disallowance of program costs on its financial statements.

Impact of COVID-19 Virus

Following the State of California "Safer at Home" order to close all non-essential business activities, Child Care Law Center have been conducting business as usual under Safer at Home protocols. The overall impact of the COVID-19 virus on Child Care Law Center cannot be foreseen at this time and is not reflected in these financial statements.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 consist of the following:

Walter S. Johnson Foundation	\$140,000
State Bar of California - IOLTA	120,407
Stein Early Childhood Development Fund	84,198
State Bar of California – Provisionally Licensed Lawyers	57,794
State Bar of California – Homelessness Prevention Fund	57,515
Heising-Simons Foundation – Organizational Development	42,550
Heising-Simons Foundation – Language Access	6,770
Price Philanthropies	<u>5,445</u>
	<u>\$514,679</u>

For the year ended June 30, 2021, net assets released from purpose restrictions was \$869,806.